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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF TEXAS

AUSTIN DIVISION

AMALGAMATED BANK, AS TRUSTEE FOR THE LONGVIEW COLLECTIVE INVESTMENT FUND and WOLVERHAMPTON CITY COUNCIL, ADMINISTERING AUTHORITY FOR THE WEST MIDLANDS METROPOLITAN AUTHORITIES PENSION FUND, On Behalf of Themselves and All Others Similarly Situated,	§	Civ. Action No. A07CA077 LY
Plaintiffs,	§	CLASS ACTION
vs.	§	COMPLAINT FOR VIOLATION OF THE SECURITIES EXCHANGE ACT OF 1934
DELL, INC., MICHAEL S. DELL, KEVIN B. ROLLINS, JOSEPH A. MARENGI, JOHN K. MEDICA, ROSENDO G. PARRA, THOMAS B. GREEN, JAMES M. SCHNEIDER, WILLIAM J. AMELIO, JEFFREY W. CLARKE, ROBERT W. DAVIS, JOHN S. HAMLIN, GLENN E. NELAND, RANDALL D. MOTT, MARTIN J. GARVIN, MICHAEL A. MILES, DONALD J. CARTY, INTEL CORPORATION and PRICEWATERHOUSECOOPERS LLP,	§	
Defendants.	§	DEMAND FOR JURY TRIAL

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SUMMARY

1. This is a securities class action brought on behalf of persons who purchased the publicly traded securities of Dell, Inc. ("Dell" or the "Company") between 2/13/03 and 9/8/06. This Complaint is brought by institutional investors who suffered millions of dollars of losses due to the wrongdoing alleged herein. The defendants named herein are Dell, several of Dell's top officers and directors (collectively the "Dell Defendants"), Intel Corporation ("Intel"), Dell's sole supplier during the Class Period of microprocessors/chips for the computer products Dell manufactured, and PricewaterhouseCoopers LLP ("PWC"), which served as Dell's outside accounting firm and audited and certified Dell's financial statements for fiscal years 2003, 2004 and 2005. This suit alleges violations of the Securities Exchange Act of 1934 (the "1934 Act") based on false statements and a scheme and wrongful course of business that operated as a fraud or deceit on purchasers of Dell's publicly traded securities, which misconduct involves one of the largest insider trading "***pump-and-dumps***" in history.

2. The Dell Defendants made a series of false and misleading statements representing that Dell's unique business model, *i.e.*, "Dell Direct," whereby Dell manufactured computer products (using Intel microprocessor/chips exclusively) and sold them directly to individuals, small businesses and corporations, gave Dell a structural competitive advantage and was succeeding – producing exceptional financial results due to high-quality products (resulting from stringent quality control and component part testing procedures) and superior customer support and service and Dell's unique ability to take advantage of falling component part prices. They also told investors Dell was successfully cutting billions of dollars of operating expenses, yielding record low operating expenses as a percentage of revenue, leading to record high operating profits and margins, net income and earnings per share ("EPS"). The Dell Defendants stressed that these massive operating expense cuts, including large manufacturing and product

warranty cost reductions, were being achieved without reducing Dell's stringent quality control and component part testing procedures or impairing Dell's traditional high product quality and outstanding customer service and support, leaving Dell's high customer satisfaction ratings – which had driven Dell's past success and were indispensable to Dell's continued sales, *i.e.*, revenue growth – intact. They also assured investors that Dell's "***high quality***" record financial results were being achieved with "***integrity***" and without any undisclosed fraud – material or not – and that Dell's reported financial results and disclosures contained in its SEC filings were supported by an adequate system of internal financial, accounting and disclosure controls as required by the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). Based on the foregoing, they repeatedly forecast 15+% annual revenue – and strong operating income and profit margin growth going forward for Dell – stressing that the Dell Direct model enabled Dell to achieve strong profitable growth in all environments – including in times of slowing PC demand when, they assured investors, the Dell Direct model "thrived."

3. Prior to the start of the Class Period, in late 2002, Dell's stock fell sharply as Dell's principal competitor, Hewlett-Packard, reportedly surpassed Dell in global PC sales, raising questions with some analysts as to Dell's ability to compete effectively. In just a few weeks, by mid-2/03, this sharp drop had wiped out over $20 billion in Dell's stock market capitalization and over $1 billion in the value of Dell's top insiders' vested stock options. However, during the Class Period, the Dell Defendants' positive statements, Dell's falsified financial reports and the scheme to defraud artificially inflated Dell's stock from a low of $22.59 per share in mid-2/03 to a Class Period high of $42.57 per share in 12/04, a 90% price increase that substantially outstripped the performance of the stocks of other publicly traded computer equipment sellers. As Dell's stock moved higher during the Class Period, the Dell insiders' stock options went back "in the money" and became worth billions of dollars. Dell's insiders

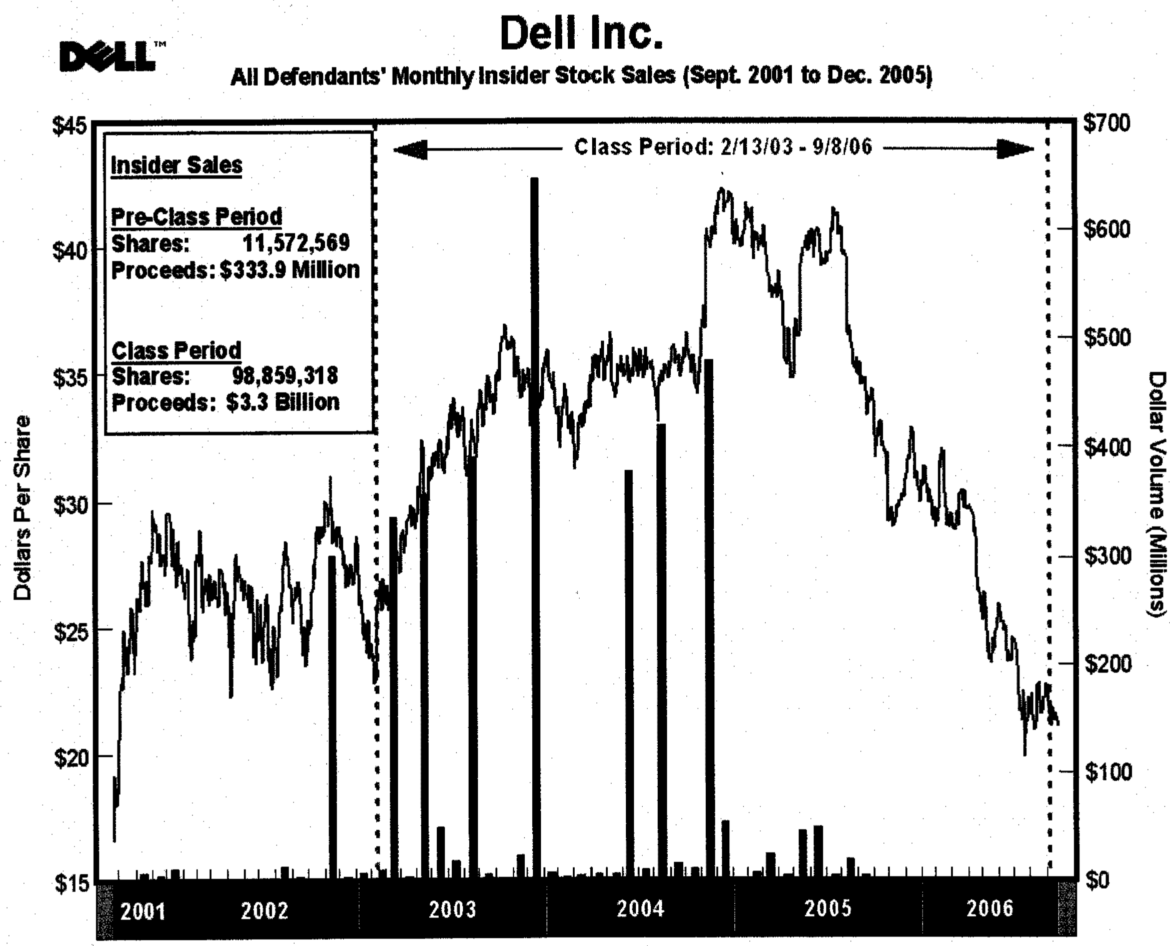
took advantage of this artificial inflation in Dell's stock price, selling off an enormous amount of their Dell stock – ***nearly 99 million shares – for illegal insider trading proceeds of $3.3 billion***! ***Many insiders sold off over 90% of their Dell shares. Dell's CEO sold off 98.6% of his shares. Dell's CFO sold off 99% of his shares. Dell's CAO sold off 96% of his shares. The two executives in charge of Dell's U.S. consumer business sold off 97% and 100% of their shares.*** The Dell Defendants furthered the fraudulent scheme by causing Dell to spend over $12 billion in corporate funds to repurchase over 350 million shares of Dell common stock on the open market – manipulating that stock price higher, while, at the very same time, they were selling off huge amounts of the Dell shares that they owned.

4. In 3/05, Japanese antitrust authorities charged that Intel had been illegally paying hundreds of millions of dollars of secret rebates to computer manufacturers like Dell to get them to purchase microprocessor/chips exclusively or virtually exclusively from Intel – charges Intel did not contest. Then, in mid-2005, negative information surfaced concerning (i) the seriously flawed state of Dell's "Dell Direct" business model; (ii) Dell's widespread product quality problems and its terribly troubled customer sales, support and service operations; and (iii) a huge (over $400 million) write-off by Dell for defective capacitors/motherboards, followed by Dell revealing the largest product recall (over four million PC/notebook lithium batteries) in history, with resulting widespread customer dissatisfaction and adverse publicity. Also disclosed was (i) Dell's dependence on, and the apparent loss of, multi-hundred million dollar end-of-quarter secret (and possibly illegal) rebates/kickbacks from Intel, called e-CAP payments (which had secretly been used to boost Dell's operating profits and margins); and (ii) prior financial irregularities, plus Securities and Exchange Commission ("SEC") civil, and U.S. Department of Justice ("DOJ") criminal, investigations into Dell's past financial practices. As Dell reported very poor operating results, including sharply declining operating profits, margins and net

income, Dell also revealed it was being forced to make major changes to its "Dell Direct" model, requiring a massive – and very expensive – rebuilding of its customer support and service operations, including opening at least 10 additional customer service and support centers, the hiring of some 10,000 additional employees and the restoration of the product warranty coverages it had earlier eliminated. ***Dell also admitted that it was not able to file current period financial statements as required by the SEC and the Nasdaq and has not done so now for many months***. Due to these negative factors, ***Dell's F07 income declined by close to a billion dollars from F06*** and Dell's future revenue and profit growth prospects are now much worse than represented during the Class Period. Ultimately, Dell's CFO, James M. Schneider, resigned and it has been publicly reported that European Union investigators have recommended that the European Antitrust Commission formally charge Intel with illegally thwarting any competition in the computer chip market due to the "exclusivity" discounts provided PC manufacturers, including Dell.

5. As this negative information entered the market, Dell's stock plunged from its Class Period high to as low as $18.95 per share, ***wiping out almost $60 billion in market capitalization***, falling much further and faster than stocks of other computer equipment manufacturers. The decline in the prices of Dell's publicly traded securities, *i.e.*, stock and options, was caused by a series of company-specific revelations of adverse information that had previously been misrepresented to, or withheld from, the market and which undercut or was inconsistent with the Dell Defendants' earlier representations and Dell's earlier reported financial results, damaging earlier Class Period purchasers of Dell's publicly traded securities by billions of dollars. However, Dell's insiders did not fare so badly. By the time Dell's publicly traded securities collapsed, they had pocketed over $3.3 billion in illegal insider trading proceeds by selling off almost 99 million shares of their Dell stock at artificially inflated prices – before

the "truth" entered the market. These sales were unusual in timing and amount, dwarfing these insiders' stock sales in the months before the Class Period, as shown by the chart set forth below:



INTRODUCTION AND OVERVIEW

6. Dell manufactures and sells computer products, principally PCs, notebook computers and servers, to large and small businesses and individual consumers. Dell became successful because of its "Dell Direct" business model, whereby it manufactures or assembles its own products (it does not "outsource") and sells them directly to businesses through a dedicated sales force and to individual consumers over the Internet or by telephone without the benefit (or cost of) a "middle man" retailer. Using its "Dell Direct" model, Dell grew very rapidly and, by 2002, was selling millions of computers a year – generating annual revenues of over $30 billion. The key to Dell's success – especially with consumer and small business customers – was

effectively, i.e., easily, selling ***high-quality*** products and providing ***very good customer service and support*** – both at the time of sale and thereafter. Dell's consumer and small business customers did not have a retailer or internal corporate IT department with the expertise or ability to assist with any start-up or operational problems with the computer they purchased. However, because historically Dell sold high-quality products and provided high-quality customer service and support through customer "Call Centers," staffed with well-trained, permanent employees, Dell appeared to overcome the disadvantage of a lack of a retail presence to assist with customer purchase decisions or ongoing operating support. Dell thus achieved success and strong profitable growth due to its high-quality, reliable products and satisfied customers – many of whom became repeat buyers due to their favorable experience with Dell and the resulting excellent reputation of the "Dell Brand."

7. Notwithstanding this success, Dell, of course, suffered when the 2000-2001 stock market bubble burst and in the resulting economic downturn. Dell's stock, which had reached an all-time high of $60 in 3/00, collapsed to as low as $16.25 in 12/00 and remained depressed for many months – continuing to trade as low as $16 even in 9/01. This large decline in Dell's stock greatly reduced the value of the Dell shares and stock options held by Dell's top insiders, who sharply curtailed sales of their Dell stock as that stock fell to low levels. Dell's executives wanted to push Dell's stock higher again, but knew they could do so only by persuading investors that despite the fact that Dell had now grown into a much larger company, selling millions of computers each year, with annual revenues of $30 billion by F02,[1] it was still capable of achieving double-digit revenue and strong profit growth – even in an increasingly competitive environment. For this to happen to the stock, however, it was critical that the "Dell Direct"

[1] Dell's fiscal year ends on 1/31 of each year. Thus, Dell's F03 year ended on 1/31/03.

business model appear to continue to excel and for Dell to reduce its ongoing operating expense levels, as only then could Dell – as a much larger company – continue to achieve strong profitable growth. During calendar 2002, *i.e.*, most of F03, Dell's stock price increased back up to $30 per share. This restored the value of the options to purchase 387 million shares of Dell stock held by Dell's executives and managers. By 12/02, these options were at an average weighted exercise price of $27.09 – making these options worth over $1.2 billion to Dell's top insiders.

8. However, in late 2002 and early 2003, Dell's stock fell again when Hewlett-Packard surpassed Dell in worldwide computer sales and some analysts questioned Dell's ability to successfully compete against Hewlett-Packard in the increasingly competitive PC hardware market and whether Dell, as a much larger company, could continue to achieve "double-digit" growth. Dell's stock fell sharply from over $30 per share back to as low as $22.82 on 2/13/03. This loss of some $20 billion in market capitalization – an almost 25% fall in Dell's stock – wiped out the value of Dell insiders' 387 million options, as Dell's stock fell well below the $27 average weighted exercise price of those options, costing Dell's top insiders over $1 billion, ***with the Dell executives named as defendants in this case losing the most***. Thus, Dell's top executives very much wanted to push Dell's stock price back up to much higher levels. This could only be achieved, they knew, by making it appear that the "Dell Direct" business model was continuing to achieve great success – giving Dell a competitive advantage over other computer manufacturers and enabling Dell to compete successfully against them – allowing Dell to report growing profits and profit margins, as Dell successfully eliminated billions of dollars in annual overhead expenses – without hurting product quality or customer service and support.

9. During the Class Period, which begins on 2/13/03, Dell's top executives repeatedly told investors that unlike other companies manufacturing and selling computer

hardware, Dell alone was achieving strong profitable growth, focusing investors specifically on its ability to achieve ***high operating income and operating profit margins*** and growing EPS, ***due to a combination of double-digit sales growth and expense reductions*** – all fueled by the continuing success of the Dell Direct model. Dell's executives told investors they were sharply cutting Dell's overhead expenditures, eliminating billions of dollars of annual expense, ***but doing so without in any way diminishing Dell's stringent quality control and component part inspection and testing procedures or the very high quality of Dell's computer products or in any way diminishing the high levels of customer service and support which were indispensable to the high level of customer satisfaction necessary for the Dell Direct business model to continue to succeed and for Dell to achieve the sales/revenue growth necessary to produce the superior financial results it was forecasting***.

10. During the Class Period, the Dell Defendants also told investors that Dell was uniquely well positioned to benefit financially from the well-known phenomenon of declining component part prices in the computer hardware manufacturing business. This was because Dell's "build to order" operation allowed it to operate with an extremely small amount of component part inventories – frequently just three or four days supply. Thus, Dell's model enabled it to very quickly capture and benefit from any decline in component part prices, while avoiding the risk of being caught with large amounts of outmoded or over-valued component parts. Dell frequently attributed its superior financial results, including its improving operating margins, to its ability to successfully capture and benefit from declining component part prices.

11. During the Class Period, the Dell Defendants made specific positive statements, as summarized below, and detailed by date and speaker later in this Complaint:

Direct Business Model

(a) Dell had a unique direct-to-customer business model, whereby it manufactured or assembled its own products (*i.e.*, it did not "outsource") and sold them directly to customers over the telephone or Internet (*i.e.*, it did not use "middlemen" or retailers). This direct model supposedly provided Dell with competitive and cost advantages over other computer manufacturers/sellers. The successful operation of Dell's "direct" model was so important to analysts who followed the Company ***that the model and its current state of performance was discussed in every quarterly or annual SEC filing by Dell and virtually every conference call or analyst presentation involving Dell's CEO or Chairman during the Class Period***. Thus, the Dell Defendants consistently stressed the "***success***" of Dell's "***industry-leading business model***," making very positive statements, like:

- "[O]ur business model is ***structurally advantaged***."
- "[W]e continue to demonstrate a focused model that is ***structurally advantaged*** and ***drive[s] leading financial operating performance and . . . leading shareholder value creation***."
- "[T]he [Dell Direct] business model is . . . ***the key advantage*** we have compared to our competitors."
- "The Dell [Direct] model . . . is uniquely able to offer the ***highest quality products***."
- "Dell [continued] its direct-to-customer model to drive down costs." "Dell's low-cost structure and efficient direct-to-customer model have enabled the company to consistently . . . maximiz[e] operating profitability. . . . ***Dell's model inherently provides cost advantages in manufacturing, operations, and its supply chain***."
- "[O]ur cost [advantages allow us] to drive . . . profitable growth. . . . ***Our advantage business model . . . allows us to continue to drive superior results***."
- "Our model consistently delivers growth in all products and regions which is accretive [to] shareholder value."
- "Dell's . . . ***direct-to-customer model [has] enabled the company to consistently . . . maximiz[e] operating profitability***. . . . Our model is structurally advantaged, . . . ***enabling us to consistently deliver exceptional financial and operating performance in all environments***."

- "Our U.S. consumer business has achieved tremendous success . . . – ***driven by the strength of the direct model, superior customer value, and increasing . . . loyalty among our customers***. This success is evidenced by our strong operating results."

- "[D]ell's business model is advantaged in all environments across all regions and in all product categories. . . . ***These advantages enable Dell to continue to post solid profits and rapid growth, regardless of the prevailing market conditions***."

- "[T]he strength of Dell's direct-to-customer business model . . . ***makes Dell better positioned than its competitors*** to profitably grow market share ***in any business climate***."

- "Dell's growth capabilities [and] advantages tend to strengthen in slower growth environments. . . . Dell's model can thrive even in periods of slower component declines given Dell's ability to manage its business."

- "[Dell] almost cheers when demand slows as Dell's strengths become accentuated."

- "The Dell model is winning, our growth strategy is progressing as planned. . . . [Dell was] very well positioned for the future." "[Dell has] demonstrated the fundamental advantages of [its] high-quality, low-cost business model."

- ***"[U]tilizing the advantages of the Dell model . . . will allow [Dell] to continue to outpace the industry. . . ." "[Dell's] model is performing well, the model is solid . . . [and] will continue to be very successful***."

Superior Quality Products

(b) The Dell Defendants also frequently stressed that Dell's owned/controlled manufacturing factories and the quality control and testing procedures it maintained for component parts and finished goods assured the highest quality products, which, combined with Dell's superior customer support and service, was a key to the success of the Dell Direct model. For instance, the Dell Defendants made positive statements, like:

- "We owner-operate our factories. Driving efficiencies through global scale and proprietary practices that can only be realized by owning manufacturing operations."

- "We continue to reaffirm the tenets of our direct model: direct customer relationships, information over inventory, ***world-class manufacturing . . . excellence***."

- "Dell's manufacturing process consists of assembly, . . . functional testing, and ***quality control. Testing and quality control processes are also applied to components, parts, and subassemblies obtained from third-party suppliers. Quality control is maintained through the testing of components, subassemblies, and systems at various stages in the manufacturing process. Quality control also includes a burn-in period for completed units after assembly, on-going production reliability audits, failure tracking for early identification of production and component problems, and information from Dell's customers obtained through services and support programs.***"

- "Dell's business strategy combines its direct customer model with a ***highly efficient manufacturing . . . organization. . . . This . . . enables Dell to provide customers with . . . high-quality . . . products.***"

- "No other technology company can rival Dell's know-how [in] delivering . . . technologies that ***meet or exceed customer expectations.***"

- ***"We continue to provide our customers with the highest-quality products.***" "Dell offers . . . high-quality technology . . . and standing behind the product with leading customer service and support. As a result, . . . consumers are indicating an increasing level of broad preference for Dell."

- "[O]ur products were recognized by industry experts for their ***quality.***"

- "Dell is studied by customers worldwide for its ***expertise in manufacturing.*** . . . Process improvements benefit Dell and customers through lower costs, ***better quality and better overall customer experience.***"

- Dell's manufacturing included testing and quality control processes to ***component parts*** obtained from suppliers and was maintained throughout the manufacturing process – including a burn-in period for completed units and ongoing product reliability audits and failure tracking for early identification of problems.

- While Dell was cutting billions of dollars annually in its manufacturing costs, "***lower cost doesn't mean lower quality" – regarding tradeoffs between cost and quality of components, "Dell's focus on driving down cost does not mean that there are quality tradeoffs.***"

Customer Service and Satisfaction

(c) In addition to the "highest" product quality, another indispensable part of the success of the Dell Direct model was a high degree of customer satisfaction provided by Dell's customer support and service, which Dell assured investors it ***monitored constantly***, and admitted was "***a key performance metric for the company***" and ***the key to its ongoing revenue growth***, *i.e.*, volume. During the bulk of the Class Period, Dell represented its customer support

and service operations were performing very well, yielding strong – indeed ***increasing – customer satisfaction,*** which was fueling Dell's strong revenue growth and would drive profitable growth going forward. For instance, the Dell Defendants made positive statements like:

- "Product leadership helps attract new customers to Dell. But their subsequent experience is critical to returning again and again."

- "At Dell, ***an exceptional customer experience*** begins with product leadership. And it continues long after the sale as we strive to instill satisfaction, trust and loyalty with each customer contact. ***Sustaining that continuum has been integral to our success.***"

- ***"We've always known that volume*** and market-share numbers ***are expressions of customer experience and satisfaction.*** We regularly assess ourselves against a broad range of customer-focused measures, including the timeliness with which we deliver built-to-order systems, ***the reliability with which they perform, and the speed and quality of service and support.***"

- "Meeting unique customer requirements is our responsibility and commitment. . . . [T]hose requirements follow simple themes: ***provide quality products and services, resolve issues when they arise, and show customers how highly they're valued at Dell.*** For each of those areas, ***we persistently track and act in response to how customers say we're performing against a variety of specific standards.***"

- ***"We regularly measure our performance from the customer's perspective.*** As examples, we track how easy it is to contact Dell, the accuracy with which orders are fulfilled, if deliveries are on time, ***overall product quality, whether we correct an issue the first time, and if our customers are treated with courtesy and respect.***"

- "A key component of our success and our ongoing strategy has been our commitment to the highest quality of service and support. ***Dell has consistently rated among the best in the industry at providing service and support to customers.***"

- "Dell's . . . direct customer model . . . enables Dell to provide customers . . . with products and services that ***are easy to buy and use.***"

- ***"[W]e made significant progress . . . [in] product leadership . . . creating an exceptional customer experience . . . . Improvement in those areas is helping expand our competitive advantages and sustain superior operating results for the long term.***"

- ***"Respondents to a recent survey . . . ranked Dell No. 1 in customer satisfaction . . . for the fifth consecutive year."***

- "Dell earned more than 100 awards for product and service quality and reliability last year alone. . . . Technology Business Research ranked Dell No. 1 for overall service and support among hardware vendors, and first in customer satisfaction."

- "[I]n a recently completed Harris survey, 83% of customers were either satisfied or very satisfied with buying consumables direct from Dell, versus 66% being satisfied who bought through retail."

- "A commitment to ***high customer satisfaction*** . . . has enabled Dell to extend its lead as the world's No. 1 provider of personal computer systems."

- ***"We improved Dell's overall customer experience considerably in fiscal 2006."***

Successful Cost-Cutting Efforts

(d) As a key part of showing growth in its operating profit margin and reduction of Dell's operating expenses measured as a percentage of revenue, during the Class Period Dell was implementing a huge cost-cutting program to eliminate billions of dollars in annual corporate operating expenses, including reducing its number of manufacturing facilities and people employed in these operations and providing customer support and service from "***cost effective***" locations, while, by producing "***higher***" quality products and generating "***increasing***" customer satisfaction, actually reducing product warranty costs. These steps were supposedly successfully boosting Dell's operating margins and profits without undermining the high quality of products and high level of customer support and service necessary for the Dell Direct model to succeed. For instance, the Dell Defendants made positive statements like:

- "And we're still focused on a lot more cost savings. We talked in the last year about $1 billion of cost savings as a target. We achieved that target; we're pushing for even further cost savings. . . . ***[Y]ou can see the impact that had on us being able to expand our margins and our operating income.***"

- "Though our advantage is significant across all product categories and in all market environments, and we will continue to widen the gap with our competitors, ***we have removed over $3 billion from our cost structure over the past two years and are on track to remove about $1.5 billion in cost this year and have identified additional cost savings to take us well into the future.***"

- "Last year, we succeeded in reducing our cost structure by over $1.2 billion. . . . [W]e exceeded our initial expectations. . . . We have identified even more cost savings for fiscal year '04. . . . ***[W]e also expect to significantly reduce our warranty costs . . . [to] optimize operating income and improve operating income margins***."

- "[W]e have been able to reduce our costs by about $1.2 billion during this past year. We have targeted even more for this year that we have started. And looking at our cost savings over the past two plus years, or the past two years plus the current year, ***we expect to realize a little over $3 billion in savings***."

- "***We took our operating expenses down to a record low of 9.9, down below 10 percent of revenue***."

- "[W]e were . . . able to improve our operating margins. . . . [O]ur focus on operating expenses, took that down to a record low 9.7% of revenue which drove operating income dollars to new records – $3.5 billion dollars. . . . ***This cost-saving element is something that we just can't focus on enough***. . . . We first gave out targets a couple years ago, since that time we generated about $4 billion of cost savings."

- "Dell maintained its record low operating expenses as a percentage of net revenue of 9.6%, compared to 9.8% in the same quarter last year . . . ***primarily [as] a result of cost reduction initiatives***."

- "As part of management's focus on striving to improve margins, Dell remains committed to reducing . . . manufacturing costs, warranty costs . . . and overhead or operating expenses. ***These cost saving initiatives also include providing certain customer technical support . . . from cost effective locations***."

- "[I]n these last three years, we've actually reduced the number of manufacturing facilities [and] reduced the number of people that are involved in the manufacturing process. . . . So, it's put us in a position to take our manufacturing costs down significantly. . . . Another category is warranty. . . . ***Very focused on improving [product] quality, which, over time, also reduces our warranty costs, our experience is much better. Our warranty costs on notebooks and desktops over the last three years have declined about 50%.***"

- "Dell leveraged its low-cost structure and efficient direct-to-customer model to aggressively price and pass through declining component prices and structural savings. . . . ***Gross margins increased . . . as a result of Dell's cost reduction initiatives*** and component cost declines. ***Dell's continued focus on cost control also resulted in record-low operating expenses*** . . . . The Dell model excels in any macro-economic environment."

- "***The year-over-year improvement in gross margin occurred primarily as a result of Dell's cost savings initiatives*** and declining component costs. As part of its focus on improving margins, Dell remains committed to . . . improv[ing]

profitability through four primary cost reduction initiatives: manufacturing costs, warranty costs . . . and overhead or operating expenses."

- "Another difference is that our cost savings is really generated from what we think are much ***more sustainable activities. . . . [O]ur cost savings are somewhat proprietary***."

- "Manufacturing efficiency and a very lean operating cost structure . . . ***[t]hese cost advantages are structural, inherent to our model, and accrue uniquely to Dell.***"

- ***"The year-over-year improvement [in gross margins] was primarily driven by Dell's cost savings initiatives.*** As part of management's focus on improving margins, Dell remains committed to reducing . . . manufacturing costs . . . warranty costs . . . and overhead or operating expenses. ***These cost savings initiatives also include providing certain customer technical support . . . from cost effective locations.***"

- "***Dell's focus on driving down costs does not mean that there are quality tradeoffs.***"

Intel Relationship

(e) Throughout the Class Period, Dell affirmed the benefits and success of its continuing reliance on Intel as its sole source of supply of microprocessors as it was reported that:

- "Dell considered changing that practice as AMD products became more competitive and Intel suffered a series of technical slip-ups last year. But Intel . . . has improved its 'roadmap' of new products, ***to the point that Dell probably won't change its Intel-only purchasing policy.***"

- ***"Dell sticks firmly to Intel.*** Hewlett-Packard . . . offers . . . computers similar in virtually every detail except their microprocessor. Customers can choose machines with Intel processors or similar models with chips from [AMD]."

Record Financial Results

(f) Purportedly as a result of Dell's execution of its unique and highly successful Dell Direct business model, Dell consistently reported record or near record profits during the Class Period, extolling these results as validating the success of its Dell Direct model, higher product quality, superior customer support and service and its success in cost-cutting

without compromising quality and service. For instance, the Dell Defendants made positive statements, like:

- ***"Performance . . . has been exceptional*** in a tough environment, and . . . ***it just speaks volumes to what we think we have with our model***. . . . [W]e have been able to . . . improve the operating performance of the company by over 100 basis points."

- "We made our guidance in each and every one of the last eight quarters – we have met or exceeded the guidance that we have given out. ***It's a very strong, consistent performance. We set records for . . . operating income, opex as a percent of revenue***."

- "[W]e hit our targets again. Marking the twelfth consecutive quarter in which we have met or exceeded our guidance to investors. ***And we generated record . . . operating income and [EPS]***."

- "[F]iscal year 2004 . . . was the most successful in our 20-year history. We've achieved record-breaking figures in some of the key areas of the company, including unit shipments, revenue, operating and net income and [EPS]."

- "In fiscal 2006, Dell continued to outpace the industry . . . – achieving company records for . . . operating income and [EPS]."

- "Each milestone resulted from the global execution of our direct business model."

- "This past year, we achieved record . . . operating income . . . all in a down year for the industry, further differentiating Dell from our competitors."

- ***"Dell's exceptional performance again demonstrated the superb . . . execution of a better way of doing business*** . . . . Our business is a model for customer focus, growth and profitability. We ended the year ***well ahead of our plan*** to achieve annual revenue of $60 billion by the end of fiscal 2007."

- "Dell outperformed the market again . . . improving profit margins. [O]ur year-over-year revenue . . . and earnings growth significantly outpaced the market. . . . We delivered improved profitability as operating margins increased by another 10 basis points."

- "Dell has consistently outperformed the market ***in all competitive environments and continues to do so*** . . . . Specifically, ours year-over-year earnings growth significantly outpaced the market. While we believe industry . . . revenues were down 5% year-over-year, sales revenue grew by 18%. ***We delivered improved profitability as operating income dollars grew by more than 37 percent year over year***."

- "And we delivered improved profitability as operating income dollars continue to grow faster than revenues. We delivered 24 cents in [EPS], up 26% year-over-

year, a $9.8 billion in revenues. . . . ***[W]e achieved an expense ratio of 9.6%, the lowest in company history***. Operating income margins increased 10 basis points sequentially and 60 basis points year-over-year to 8.6%, despite challenging market conditions."

- ***"'[O]nly Dell simultaneously creates . . . rapid growth and solid profitability.' . . ."***

- ***"We have grown our operating profits by more than 50% over the last two years***."

- "[W]e posted record revenue with double-digit growth . . . ***with enhanced overall profitability. Quarterly operating income was in excess of $1 billion, a company record. We delivered improved margin sequentially*** . . . . [EPS] increased 29%, over-achieved on EPS hitting 31 cents. We improved our operating margin . . . by over 20 basis points sequentially to 8.6%."

- ***"We leveraged the unique strengths of our model*** to deliver enhanced profitability and record performance across our business. [O]perating and net income [and] EPS . . . were all company records."

- "Dell delivered strong performance and ***records across the board***, including . . . operating income [and] EPS."

- Dell's full-year "revenue, operating profits and [EPS] were ***all company records***."

- "Our results reaffirm the strength of the model . . . allowing us to continue to outperform the industry."

- "[W]e're probably better positioned, financially than we certainly have been in any other point in time in this company's life."

- ***"It's clear that our ability to generate superior returns remains unmatched***."

High Quality of Financial Results

(g) Not only did Dell consistently report record operating results during the Class Period, it stressed the ***integrity*** of those financial results, with the Dell Defendants making positive statements like:

- "[W]e're winning the right way, ***with a high level of integrity***."

- "Dell's ***quality . . . of earnings continues to lead the market*** as we turned in yet another quarter of strong revenue and earnings growth."

- "[T]he consistently ***high quality earnings*** and industry leading returns generated by our business model and focused strategy."

- Dell's internal financial, accounting and disclosure controls had no significant deficiencies and there was no undisclosed fraud ongoing at Dell, material or otherwise.

Forecasts of Future Growth

(h) As a result of these very positive representations throughout the Class Period, the Dell Defendants repeatedly made forecasts of strong revenue and profit growth going forward, which were not protected by the Private Securities Litigation Reform Act of 1995's ("PSLRA") forward-looking statement provisions.

12. PWC reviewed Dell's 10-Q and 10-K filings with the SEC and the financial statements therein; it also reviewed Dell's internal financial accounting and disclosure controls and audited and certified its annual financial statements (F03, F04, F05) issued during the Class Period, representing it had performed its audits under Generally Accepted Auditing Standards ("GAAS") and that the financial statements complied with Generally Accepted Accounting Principles ("GAAP") and fairly presented Dell's financial condition and results from operations.

13. As a result of Dell's strong financial results and the Dell Defendants' repeated positive statements and presentations during the Class Period, many securities analysts issued very positive reports on Dell, reporting and/or repeating what the Dell Defendants had said publicly or told them in meetings, praising the effectiveness of the Dell model, forecasting strong growth in revenues and improvements in profit margins and EPS and recommending the purchase of Dell shares. For instance:

- 2/13/03 – Thomas Weisel Partners: "***Margin trends solid. The gross margin was strong at 18.3% and was 20bp above our estimate. Dell continues to manage expense effectively, with operating expenses of 9.9% . . . matching its all-time low. The end result was an operating margin of 8.4%, which as up 10bp sequentially . . . . Dell continues to focus on reducing costs, and management noted that the company exceeded its goal of $1bn in cost reduction for FY03 and that it can exceed that number for FY04.***"

- 2/14/03 – Needham: "*Dell reported a picture perfect quarter. . . . The company's operating margin continued its steady upward progression to 8.4% from 7.4% a year ago.*"

- 4/3/03 – Deutsche Bank: "*Overall tone was very upbeat, with mgmt highlighting . . . [that] Dell's business model is structurally advantaged to deliver better financial & operating performance . . . . We continue to believe Dell is the best-positioned PC company based on the efficiencies of its direct model* . . . ."

- 5/28/03 – Bear Stearns: "*Consumer 'Going Gangbusters': COO Kevin Rollins was very upbeat about Dell's performance and outlook in its consumer efforts saying that the consumer business is profitable, growing, and its brand is strengthening. . . . Component Basket Still Trending Down: . . . Overall, Dell noted that the rate of component declines is slightly less than the prior quarter but the overall basket is still trending down. . . . Lower Cost Doesn't Mean Lower Quality: Speaking about the tradeoffs between cost and quality of components, Dell noted that Dell's focus on driving down cost does not mean that there are quality tradeoffs* . . . ."

- 8/15/03 – J.P. Morgan: "*The company is resoundingly confident about its market strategy in PCs and servers, and Dell also continues to trumpet its sterling cost structure advantage.*"

- 8/18/03 – Neeham: "*Dell reported another picture perfect quarter* . . . ."

- 10/9/03 – UBS: "*Dell also reaffirmed that it can expand its operating margins to 10% (from 8.5% currently) and was even ahead of plan . . . . Dell believes that there are four areas for cost reductions . . . lower warranty costs . . . [including] improving call center efficiency, and lowering fixed costs and . . . structural cost improvements* . . . ."

- 4/8/04 – Deutsche Bank: "*Throughout the presentations, management highlighted the company's structurally advantaged business model and showed how it compared favorably with its peers from a profit, growth, and industry positioning perspective.*"

- 4/8/04 – Prudential Equity: "*Most of the presentations were top level in nature, with mgmt touting the benefits of the direct model . . . . Most significant were mgmt's comments that the company is tracking ahead of its goal for $60B in revenue in FY07.*"

- 7/1/04 – J.P. Morgan: "We met with Dell's CFO, James Schneider, yesterday. . . . *[T]he tone of the meeting was positive. Growth expectations remain intact* . . . . *Dell remains optimistic about its growth prospects* . . . ."

- 8/12/04 – Thomas Weisel Partners: "*Execution separates Dell from the pack*. . . . [G]ross margin of 18.2%, operating margin of 9.0%, and EPS of $0.31 were all exactly in line with our and Street estimates. . . . *Gross margin improvement due mainly to decline in component prices – leading to EPS upside.*"

- 8/13/04 – Bear Stearns: "***Why is Dell doing well? Primarily due to its advantaged, direct model which keeps it close to customers [and] provides lower costs*** . . . ."

- 8/17/04 – CSFB: "***Outlook. We believe Dell owns a sustainable competitive advantage due to its direct model, and we expect the company to deliver superior growth and attractive financial returns in the foreseeable future.***"

- 11/12/04 – Piper Jaffrey: "Robust growth across every segment and a declining component cost environment enabled the Company to meet both our and consensus estimates of $12.5B and $0.33. Gross margins of 18.5% beat our estimates . . . . ***Our takeaway from the earnings report and conference call is that the Dell revenue and earnings growth trajectory has not slowed and shows no signs of slowing in the near future. The Company indicated that it was executing ahead of plan to achieve $60B in annual revenues . . . . The Dell model continues to outperform*** . . . ."

- 11/12/04 – CIBC: "***Controversy regarding the sustainability of Dell's margins and growth rates, underlying our prior Sector Performer rating, should take a back seat following bullish guidance on strength of end-markets, and on Dell's ability to maintain its market-share momentum. . . . Overall, with gross margins on an upswing, and next-round scalability of operating margins (after 40 bps gains this year) probably no more than nine months away, evidence suggests that tailwind of declining component prices is in fact allowing Dell to execute on its lean inventory and dynamic sourcing models.***"

- On 12/9/04, S.G. Cowen: "We hosted Dell CEO Kevin Rollins at a Boston investor lunch meeting yesterday. ***It seems apparent that the Dell execution engine is running essentially on all cylinders. Current demand is strong . . . . We are raising estimates*** . . . ."

- 1/7/05 – Bear Stearns: "After meeting with Dell ***management*** . . . our takeaway was that Dell continues to be a solid growth story . . . driving strong revenue growth and with potential for margin expansion over time. ***CEO Kevin Rollins noted Dell's confidence in 17%-20% revenue growth range in the foreseeable future.***"

- 2/10/05 – Bear Stearns: "[I]t was a typical Dell quarter (16th in a row in line or above expectations), highlighting Dell's above-average, profitable growth . . . . ***[M]anagement was confident that its growth trajectory was intact*** . . . . We're ***raising*** our ***estimates*** for FY06 from $1.58 to $1.60 in EPS (vs. $1.28 in FY05) . . . and for FY07 from $1.85 to $1.90 in EPS . . . . ***Gross Margin Above Expectations. Gross margin of 18.5% was above our forecast of 18.4%, up 5 basis points sequentially and 20 basis points from the year-ago period, owing to . . . more favorable component cost declines . . . .***"

- 4/7/05 – Bear Stearns: "Dell was confident about its prospects to drive growth during its analyst day . . . . [C]onfident about growth prospects. . . . CEO Rollins

came across confident about Dell's ability to drive growth . . . . ***Dell's Model thrives in a slow-growth environment. Though CEO Rollins signaled a more cautious environment, he noted that Dell's growth tends to be faster in periods of slower market growth given its low-cost, share gain model.***"

- 6/6/05 – Bear Stearns: "We hosted a dinner with Dell CEO Kevin Rollins . . . . ***Rollins highlighted Dell's growth capabilities in all markets, indicating its advantages tend to strengthen in slower growth environments . . . . Rollins noted that he almost cheers when demand slows as Dell's strengths become accentuated*** . . . ."

14. During 2003-2004 and through 8/05, as Dell consistently reported extremely strong – often record – financial results, with double-digit growth in revenues, accompanied by declining operating expenses as a percent of revenues – yielding strong operating profits – all purportedly due to Dell's "***flawless***" or "***superb***" execution of its Dell Direct model – accompanied by the false statements summarized above – with continued growth and profit improvement forecast for the future. As a result, Dell's common stock recovered dramatically from its late 2002 decline, sky-rocketing higher from a low of $22.82 on 2/13/03, at the beginning of the Class Period, to as high as $42.57 by 12/9/04. The stock continued to trade at as high as $41 through 8/05. As Dell's stock became artificially inflated and traded at these inflated levels, this restored the value of the Dell insiders' stock options. And Dell's insiders took advantage of this stock price inflation with a vengeance. ***Between 2/03 and 9/05, Dell's top insiders unloaded almost 99 million shares of Dell stock they owned, pocketing $3.3+ billion in illegal insider stock sales proceeds. As the chart below shows, executives sold off gigantic amounts of their stock – with all but Michael Dell ("M. Dell") selling 70%-100%*** of the Dell stock they actually owned and were capable of selling. Even M. Dell, the founder and largest holder of Dell stock, sold off 27% of his ownership stake in the Company.

Defendant	Position	Shares Sold	Proceeds	% of Shares Sold Owned
Michael Dell	CB/CEO	85,138,000	$2,829,813,460	27%
Kevin Rollins	President/CEO	2,163,000	$74,192,846	99%

Joseph Marengi	SVP-Americas	1,543,664	$55,197,246	100%
John Medica	SVP-Products	809,956	$31,315,764	99%
Rosendo Parra	SVP-Americas	1,458,953	$51,266,953	88%
James Schneider	CVP-CFO	1,686,000	$57,838,699	99%
William Amelio	SVP-Asia	1,024,281	$40,067,747	93%
Jeffrey Clarke	SVP-Products	963,815	$35,207,325	97%
Robert Davis	CAO	196,556	$7,247,401	96%
John Hamlin	SVP-Global Online	869,443	$31,336,831	99%
Thomas Green	SVP-Law/Secretary	384,000	$12,453,120	70%
Glenn Neland	SVP-Procurement	169,000	$6,675,330	98%
Martin Garvin	SVP-Procurement	90,500	$3,666,680	100%
Randall Mott	SVP-CIO	370,000	$14,769,800	74%
Michael Miles	Director	1,428,000	$51,276,720	73%
Donald Carty	Director-Audit Chair	564,150	$20,128,490	73%
TOTAL:		**98,859,318**	**$3,322,454,411**	

The sell-off of $3.3+ billion in inflated stock – oftentimes over 90% of the insiders' holdings – is the largest insider bail-out in the history of any U.S. public company. This "pump-and-dump" was accomplished by defendants' dissemination of false and misleading statements to artificially inflate Dell's stock price and then spending over $12 billion of Dell's corporate funds to repurchase 350 million shares of Dell common stock on the open market as they were selling, thus using Dell's corporate funds to help manipulate the market price of the stock while they bailed out – in effect, using corporate money to fund the purchase of the shares – mostly stock option shares – they were selling. Why – if Dell's business was actually performing as wonderfully as the Dell Defendants said it was and if its future prospects were as good as they forecast they were – would these insiders sell off so much of their stock? The Dell Defendants' insider selling was unusual in timing and amount, vastly exceeding their stock sales in the 16-17 months before the Class Period, as shown on page 5.

15. In 3/05, a series of company-specific negative revelations began regarding Dell which were inconsistent with, undercut and contradicted the Dell Defendants' prior Class Period positive representations. First came revelations from the Japanese antitrust officials of Intel's apparently illegal practice of paying large secret end-of-quarter rebate/kickback payments to

computer OEMs like Dell in return for exclusive or near-exclusive relationships – payments which boosted the OEMs' reported operating profits and margins. Then, a customer revolt – fed by the emerging Internet blog system – began in 6/05-7/05. It gave widespread circulation to consumer nightmares in dealing with computer purchases and computer support and service issues with Dell and received increasing publicity in the mainstream financial media, indicating that Dell's vaunted direct sales method and product quality had decreased markedly and its customer service and support operations had collapsed. Reports of failures to honor advertised sales terms or to provide products with promised features and refusal to honor warranties became widespread. Defective PC motherboards (capacitors) and lithium batteries created widespread performance problems – even failures and fires – with Dell computers. Dell's call centers – now manned by thousands of fewer personnel, more and more located in India, the Philippines or other non-U.S. locations, most of whom were ill-trained, part-time workers – disconnected customers, made them wait on hold for long times (even up to and over an hour), repeatedly transferred their calls without solving the customers' problems, refused to even address Microsoft software issues and refused to honor customer service expectations, rigidly enforcing Dell's new, restrictive consumer warranty policies which had shortened the time and breadth of coverage, implementing Dell's new "fix on fail" only policy. This resulted in an upsurge in customer outrage and dissatisfaction which hurt Dell's sales, not only with potential repeat customers, but, as adverse publicity spread, with new ones as well.

16. In addition, in mid-8/05, Dell began to report financial results falling short of its previously forecasted levels of performance, initially with revenue growth and operating profits/income ***shortfalls*** – and ultimately – operating income, operating margin and EPS ***declines***! However, rather than comply with their obligations under the federal securities laws and make truthful and complete disclosure, Dell's insiders opted instead for partial disclosures

accompanied by false reassurances that sought to and did conceal the true nature and extent of the problems Dell was encountering – the increasing defects with its products and its inability to fix its customer support and service operations, which it represented were being remedied with improving customer satisfaction. Also, Dell ***continued the falsification of its financial results which had been going on throughout the Class Period, continuing to report inflated operating profit margins, operating income, net income and EPS, while understating is warranty expense***. As a result, while Dell's stock began to decline in 7/05, the stock continued to trade at artificially inflated levels until a series of company-specific negative revelations in 7/06-8/06. Then Dell reported massive financial shortfalls due to continuing customer outrage and dissatisfaction, exacerbated by the massive spending cuts Dell had engaged in in the past few years to artificially boost its current period profitability, which was negatively impacting the revenue and profit growth, ***and the loss of hundreds of millions of dollars a year in secret (and possibly illegal) rebates/kickbacks Dell had been receiving from Intel to boost its reported operating profits and margins***. Dell also revealed an SEC investigation into its financial reporting practices (which Dell had known about but concealed for a year), and that Dell itself had "discovered" internal financial irregularities and misreporting – all resulting in Dell's inability to file current financial statements with the SEC/Nasdaq. Dell also admitted that, as a result of these business and financial reversals, it would be required to boost corporate spending by hundreds of millions of dollars and hire almost 10,000 additional employees in an effort to restore its business so that it could more successfully compete with competitors that were selling higher quality, more attractive products, often through retailers who supplied otherwise superior customer service and support. On 9/11/06, defendants disclosed Dell would not be able to file its interim financial report for the 2ndQ F07 and that it had received a subpoena from the U.S. Attorney for the Southern District of New York requesting information on Dell's financial

reporting practices back to 2002. As a result of the collapse of Dell's business model and operations, Dell's net income in F07 will be almost $1 billion less than in F06, its future growth prospects are much worse than were represented during the Class Period and its stock has fallen sharply from its Class Period highs. Finally, Dell's CFO Schneider resigned as the SEC investigation escalated and it has been publicly reported that European Union investigators have recommended that the European Antitrust Commission formally charge Intel with illegally thwarting any competition in the computer chip market due to the "exclusivity" discounts provided PC manufacturers, including Dell. On 1/23/07, Dell revealed that it is unlikely to meet the requirements for continued listing on Nasdaq due to its inability to file current financial statements.

17. As the Class Period was ending and thereafter, M. Dell and Rollins and other Dell insiders had to admit the terrible problems that had been plaguing Dell's business during the Class Period:

- Regarding cutting call center costs and switching from full-time to temporary, part-time employees: "***we made those decisions that work with the short-term, but they were really damaging to us over the long-term***."
- "***[O]ur customer satisfaction did come down . . . because we cut back there***."
- "***[O]ur customer support declined. . . . The problems were of our own making and we can't blame them on the market***."
- "***The team was managing cost instead of managing service and quality. . . . It's totally the wrong answer***."
- "***We over-estimated Intel and under-estimated AMD***."
- "***We were doing some things that were just plain wrong***."
- "***[W]e have been pretty open about admitting the various mistakes we have made***."

During the Class Period, the following material adverse facts were known or recklessly disregarded by the Dell Defendants, who concealed these facts from investors:

(a) The Dell Direct business model was not operating successfully or creating the strong, often record, financial results and operating margins Dell was reporting; in fact, due to overly aggressive cost-cutting in Dell's customer support and service and manufacturing operations, Dell's business model was being afflicted with sky-rocketing customer dissatisfaction and complaints, as well as increasing product quality problems (especially with laptop batteries and capacitors). In truth, Dell's financial results were being falsified and temporarily inflated by (i) large cost-cuts which would have to be reversed and remediated; (ii) improper accounting tricks and contrivances, including under-accruing warranty costs and failing to take timely write-downs for defective products and product replacement; (iii) its secret receipt of some $200 million per quarter in rebate/kickback payments (e-CAP payments) from Intel in return for exclusively purchasing Intel microprocessors/chips; and (iv) manipulation of Dell's warranty reserves to understate the required reserve.

(b) Dell was not manufacturing or selling the highest quality products, as Dell's aggressive cost-cutting in its manufacturing operations to boost its reported profits in the short term had badly weakened Dell's quality control procedures and standards for component parts, *i.e.*, batteries and finished goods, such that Dell was encountering an upsurge in customer complaints due to faulty products, including capacitor failures, motherboard failures and widespread laptop (lithium) battery defects.

(c) Dell did not have an unrivaled ability to create products or technologies that met or exceeded customer expectations, nor did it have world-class manufacturing excellence, producing high-quality products. In fact, as a result of the aggressive cost cuts in Dell's manufacturing operations, Dell's quality assurance procedures had become badly impaired, leading to a marked decline in product quality.

(d) Dell's cost-cutting program was resulting in a marked increase in the production of defective products which did not meet Dell's historic quality standards and a marked decline in Dell's historic levels of customer support and service and thus customer satisfaction, which Dell insiders knew would cost hundreds of millions, if not billions, of dollars to remedy, including the hiring of thousands of additional full-time employees to be trained to staff customer call centers and to improve Dell's quality assurance techniques and practices in its manufacturing operations.

(e) In order to cut operating costs, Dell had sharply curtailed its quality control processes by no longer testing component parts (specifically batteries, hard drives, optical drives or motherboards and laptop accessory parts, including power adaptors) received from suppliers. Rather, Dell was relying on post-assembly quick tests of completed units to discover defective component parts. In addition, it had also curtailed the post-assembly "burn-in" testing of units, which steps in combination were resulting in Dell shipping much larger numbers of computers with defects and performance problems, leading to increased quality problems and customer dissatisfaction.

(f) Dell was not providing superior customer service and support as, due to overly aggressive cost-cutting activities in Dell's customer support and service operations to boost its reported profits in the short term, including moving most of Dell's consumer and small business customer support and service call centers to India and the Philippines and replacing full-time, well-trained employees with part-time, ill-trained (but cheaper) employees, Dell's customer support and service operations were badly impaired, resulting in very long wait times and an inability to adequately respond to customer complaints and questions, generating an upsurge in customer anger and dissatisfaction with Dell, its products and its customer support and service, which Dell's internal metrics showed would hurt sales.

(g) Because of its shifting of much of its customer support and service operations, especially for its consumer and small business customers, to "call centers" in India and the Philippines and staffing its call centers with part-time, poorly trained employees, Dell was no longer providing a superior customer experience or generating high degrees of (or improving) customer satisfaction. Rather, Dell was encountering a widespread customer revolt with a massive upsurge in complaints regarding declining product quality and declining service and support operations and a sharp decline in one of Dell's key internal metrics – the "likely to repurchase" number.

(h) The Dell Direct model also was not functioning effectively with respect to Dell's direct sales process because Dell had flooded the market with a huge number of confusing and contradictory promotional offers which its now ill-trained and inadequate sales force was unable to effectively process. This was leading to refusals to honor many "coupons" and "promotions," resulting in customer dissatisfaction and refusal to buy Dell products, which was showing up in an important internal Dell metric known as the "likely to repurchase" number, where Dell was seeing soaring negative sentiment which meant customers were displeased with the Dell sales process and thus Dell's sales growth would decline.

(i) While Dell publicly disseminated favorable surveys and reports purporting to show high degrees of Dell customer satisfaction with product quality and service and support, in fact, its own internal surveys, information and customer metrics (which it constantly monitored) showed a huge upsurge in customer dissatisfaction with and anger at Dell, including a measurable increase in negative responses to its most important metric, the so-called "likely to repurchase" number, which Dell knew indicated serious problems with ongoing sales growth.

(j) Dell's increasing product quality was not resulting in a decrease in Dell's warranty costs; in fact, Dell had quietly curtailed the length of its product warranty and sharply

curtailed the breadth of its warranty coverage (it had eliminated the computer operating system from its warranty) for individual consumers and small businesses and, in addition, had secretly adopted a new "fix-on-fail-only" policy whereby it would provide in-home repair service or product replacement only when a computer (or component) completely failed, as opposed to merely malfunctioned, to cut costs. However, these severe restrictions in Dell's warranty coverage and service to its customers – which was much different than Dell's historic "customer friendly" approach to warranty, service and product quality issues – were causing an upsurge in customer dissatisfaction with and anger at Dell, which Dell insiders knew would inevitably result in declining sales growth and a massive increase in warranty and product repair costs to try to restore customers' satisfaction to acceptable levels.

(k) From 8/05 on, the SEC had notified Dell it was investigating Dell's prior financial reporting practices and SEC filings which Dell's top insiders knew would likely uncover numerous irregularities, including under-accruals of warranty obligations, revenue recognition improprieties and concealment of the Intel rebate/kickback payments.

(l) Dell's financial statements issued during the Class Period were artificially inflated and falsified, they did not "fairly present" Dell's results from operations and did not comply with GAAP, as detailed in ¶¶233-273, due to a failure to properly accrue required amounts for warranty costs, failure to recognize large product defect/recall costs and failure to properly disclose the existence, nature and extent of the huge rebate payments Dell was receiving each quarter from Intel.

(m) Dell's Sarbanes-Oxley representations were false, as Dell's internal financial and accounting and disclosure controls were deficient and an undisclosed material fraud was ongoing at Dell – Dell's financial statements were being falsified, its disclosures in its SEC

filings were false and misleading and an ongoing fraudulent violation of the securities laws was occurring.

(n) Dell's statements regarding its ability to quickly benefit financially from declines in component part prices was false and misleading. The true reason for Dell's reported superior operating margins was, in large part, the hundreds of millions of dollars of secret and likely illegal rebate/kickback payments Dell was receiving from Intel at the end of each quarter in return for purchasing 100% or virtually 100% of its microprocessor requirements from Intel.

(o) Due to customer demand for PCs with the advanced features and advantages of the new AMD microprocessor chips, Dell had decided it would have to begin to purchase AMD chips for its computers, which would mean the loss of those hundreds of millions of dollars of rebate/kickback payments from Intel, which would hurt Dell's operating profits and margins.

(p) Dell's U.S. consumer/small business operations were not "going gangbusters," or achieving success, but, in fact, were performing very poorly and well below expectations due, in large part, to the product quality and customer service and support deficiencies outlined above.

(q) The Dell Direct business model was not advantaged in all environments across all regions and in all product categories or able to cause Dell to report solid profits and rapid growth regardless of prevailing market conditions due to product quality and customer service and support due to the deficiencies and defects detailed above.

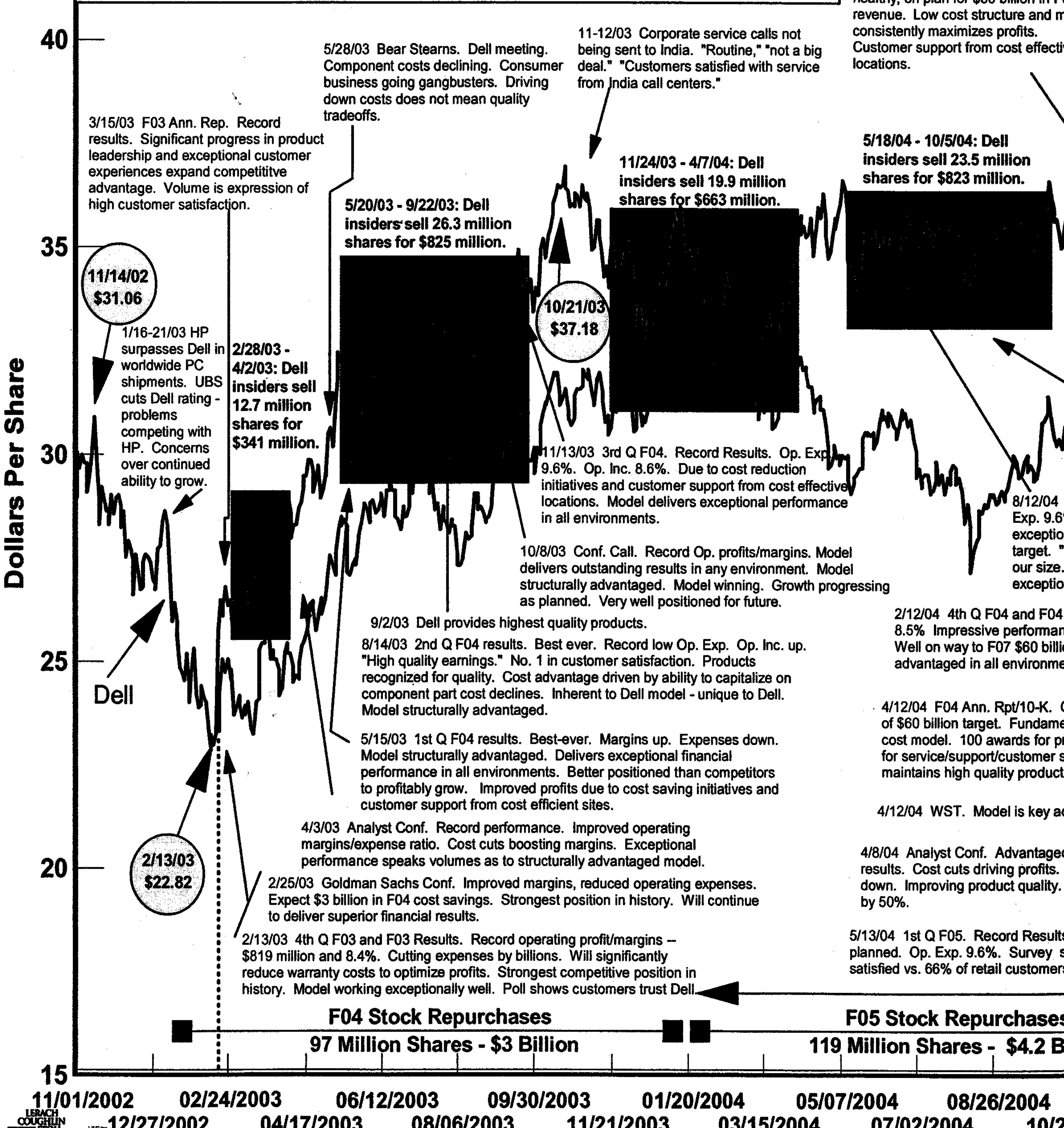
(r) The Dell Direct model did not tend to strengthen in slower growth environments or thrive in periods of slower component price declines or show strength when demand slowed because of the product quality and customer service and support and deficiencies outlined above.

(s) Dell's purported improvements in reducing its operating expenses as a percentage of net revenues and the reported increases in its net and gross operating profit margins to record high levels were only being achieved at the cost of the serious product quality and customer support and service problems outlined above and which the Dell Defendants knew would require massive expenditures to fix, harming Dell's profitability going forward.

(t) Due to the material adverse facts and problems set forth above, Dell and the Dell Defendants knew that Dell could not and would not achieve the revenue, operating profit, operating profit margins, net income and EPS growth being forecast by them.

18. The chart below graphically presents some of the defendants' false and misleading statements, the individual defendants' illegal insider selling and the collapse of Dell's stock as the truth entered the market, *i.e.*, matters that are the subject of this action.

Defendant	Position	Shares Sold	Proceeds	% Sold
AMELIO	SVP - Asia	1,024,281	$40,067,747	93.0%
CARTY	Dir. - Audit Ch.	564,150	$20,128,490	72.8%
CLARKE	SVP - Pdts	963,815	$35,207,325	97.4%
DAVIS	CAO	196,556	$7,247,401	96.1%
DELL	CB/CEO	85,138,000	$2,829,813,460	26.6%
GARVIN	SVP - Proc.	90,500	$3,666,680	100.0%
GREEN	SVP - Law & Admin, Sec.	384,000	$12,453,120	69.7%
HAMLIN	SVP - US Consumer	869,443	$31,336,831	98.9%
MARENGI	SVP - Americas	1,543,664	$55,197,246	100.0%
MEDICA	SVP - Pdts	809,956	$31,315,764	98.8%
MILES	Director	1,428,000	$51,276,720	72.8%
MOTT	SVP - CIO	370,000	$14,769,800	73.7%
NELAND	SVP - Proc.	169,000	$6,675,330	98.1%
PARRA	SVP - Americas	1,458,953	$51,266,953	88.2%
ROLLINS	Pres./CEO	2,163,000	$74,192,846	99.3%
SCHNEIDER	VP - CFO	1,686,000	$57,838,699	98.6%
Total:		**98,859,318**	**$3,322,454,411**	



Dell, Inc.
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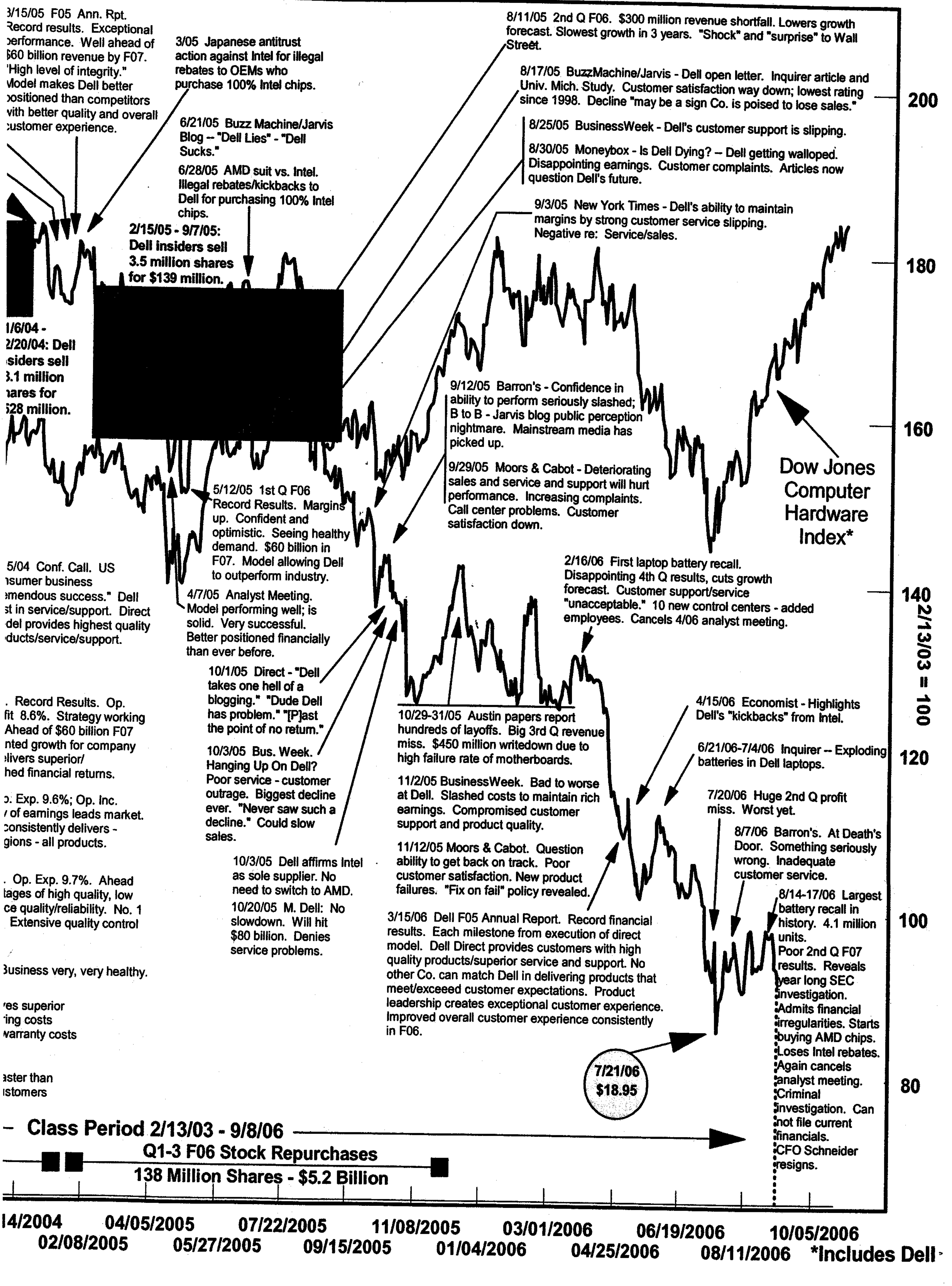
DELL™



PARTIES

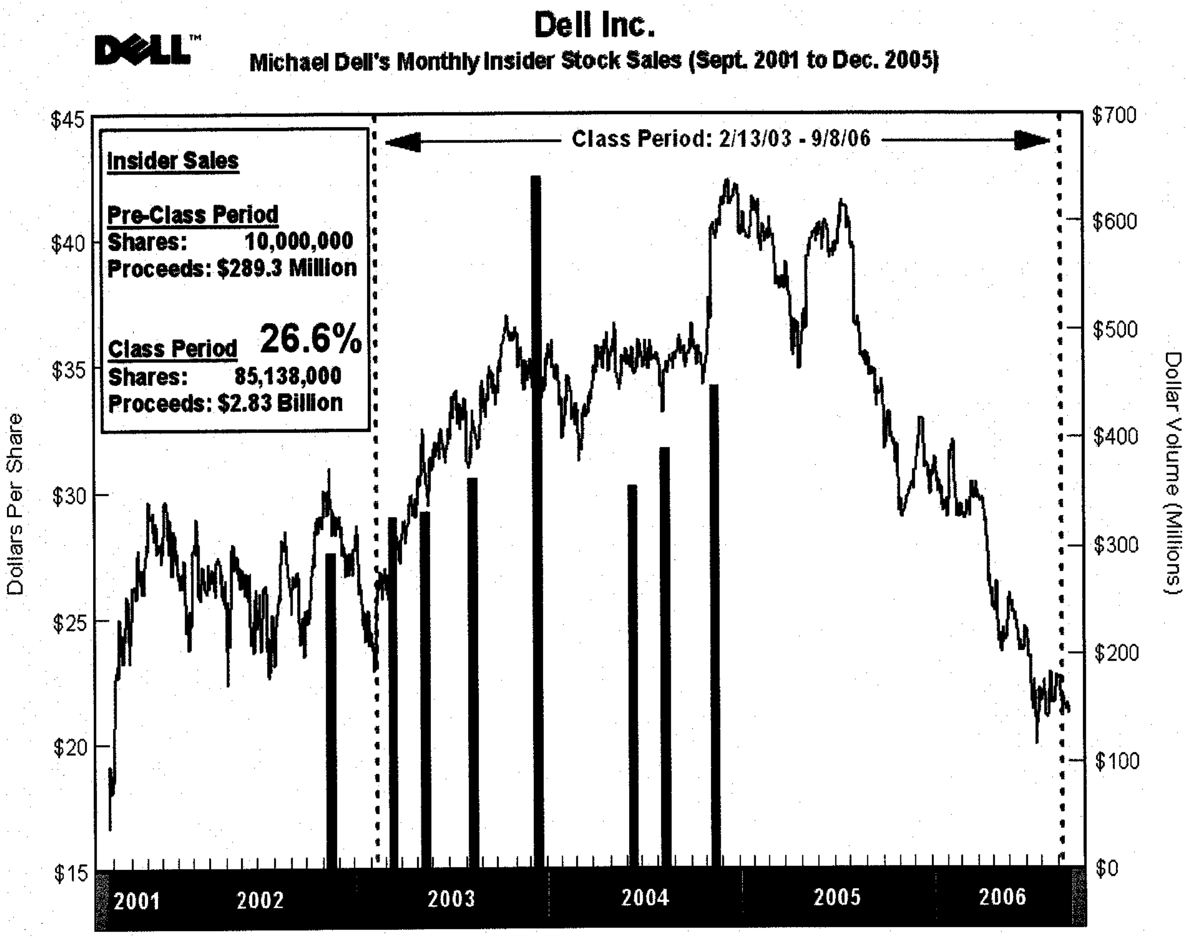
19. (a) Plaintiff Amalgamated Bank, as Trustee for the LongView Collective Investment Fund ("Amalgamated Bank") purchased the common stock of Dell at artificially inflated prices during the Class Period as detailed in the attached certification, and was damaged thereby.

(b) Plaintiff Wolverhampton City Council, Administering Authority for the West Midlands Metropolitan Authorities Pension Fund purchased the common stock of Dell at artificially inflated prices during the Class Period as detailed in the attached certification, and was damaged thereby.

20. Defendant Dell is a public corporation with its executive offices in Round Rock, Texas. Dell is a manufacturer and seller of computer equipment. During the Class Period, Dell stock traded on the Nasdaq in a highly efficient market, trading millions of shares everyday. Dell filed periodic public reports with the SEC. Dell regularly communicated with the investment community through press releases and conference calls and had other communications with the financial press, which followed and reported on Dell. Dell was followed by several securities analysts who wrote reports that were widely distributed. Defendant Dell may be served at One Dell Way, Round Rock, Texas 78682.

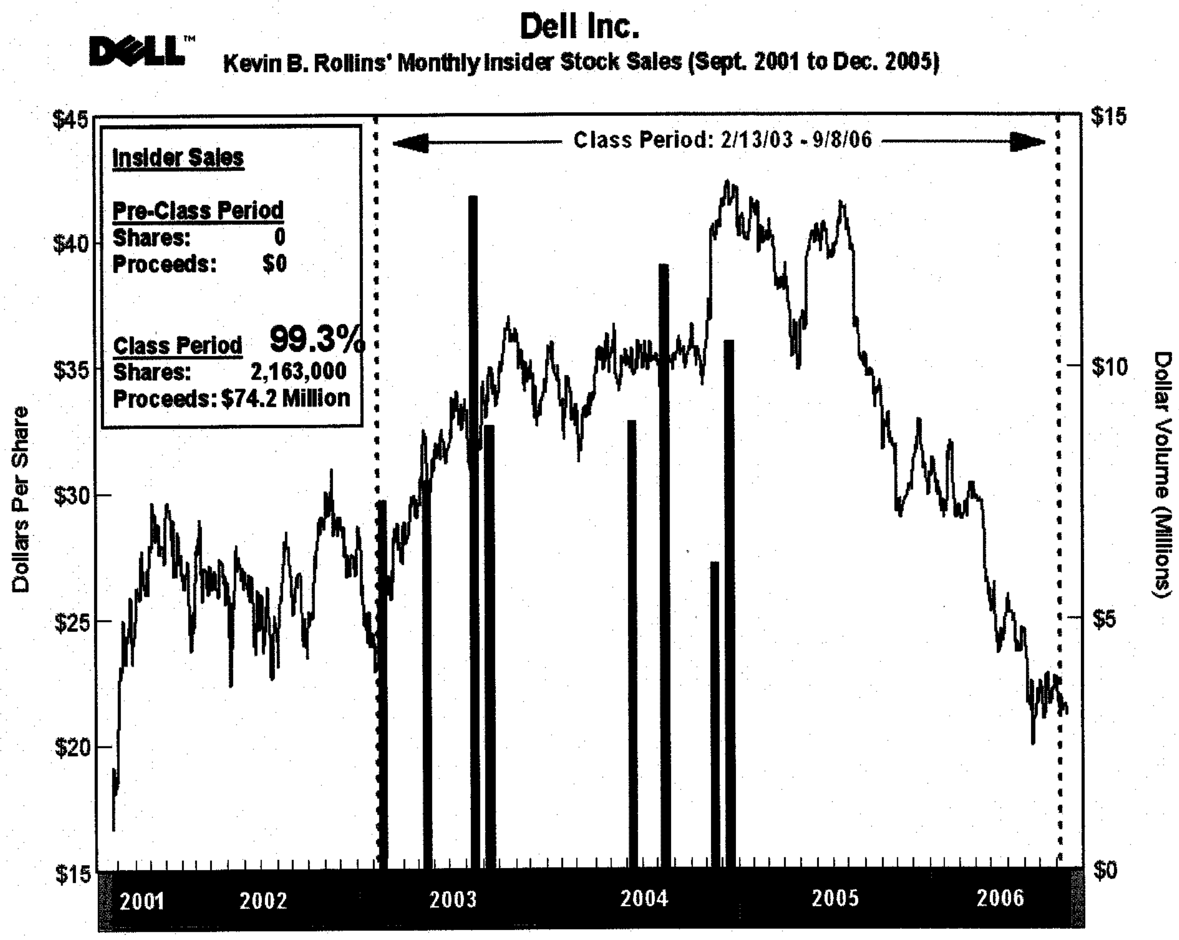
21. (a) Defendant Michael S. Dell ("M. Dell") is the founder of the Company, Chairman of the Board of Directors and was CEO of Dell throughout the Class Period until 7/04, when Rollins became CEO. M. Dell was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. M. Dell was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would

be made, and the functioning of Dell's internal financial and accounting and disclosure controls. M. Dell was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and signed Dell's F03, F04 and F05 10-Ks. During the Class Period, M. Dell sold 85,138,000 shares of his Dell stock (26.6% of the shares he owned) for $2,829,813,460 in insider trading proceeds. Defendant M. Dell may be served at One Dell Way, Round Rock, Texas 78682. These sales were unusual in timing and amount and inconsistent with M. Dell's historical Dell stock sales, as the following chart shows.



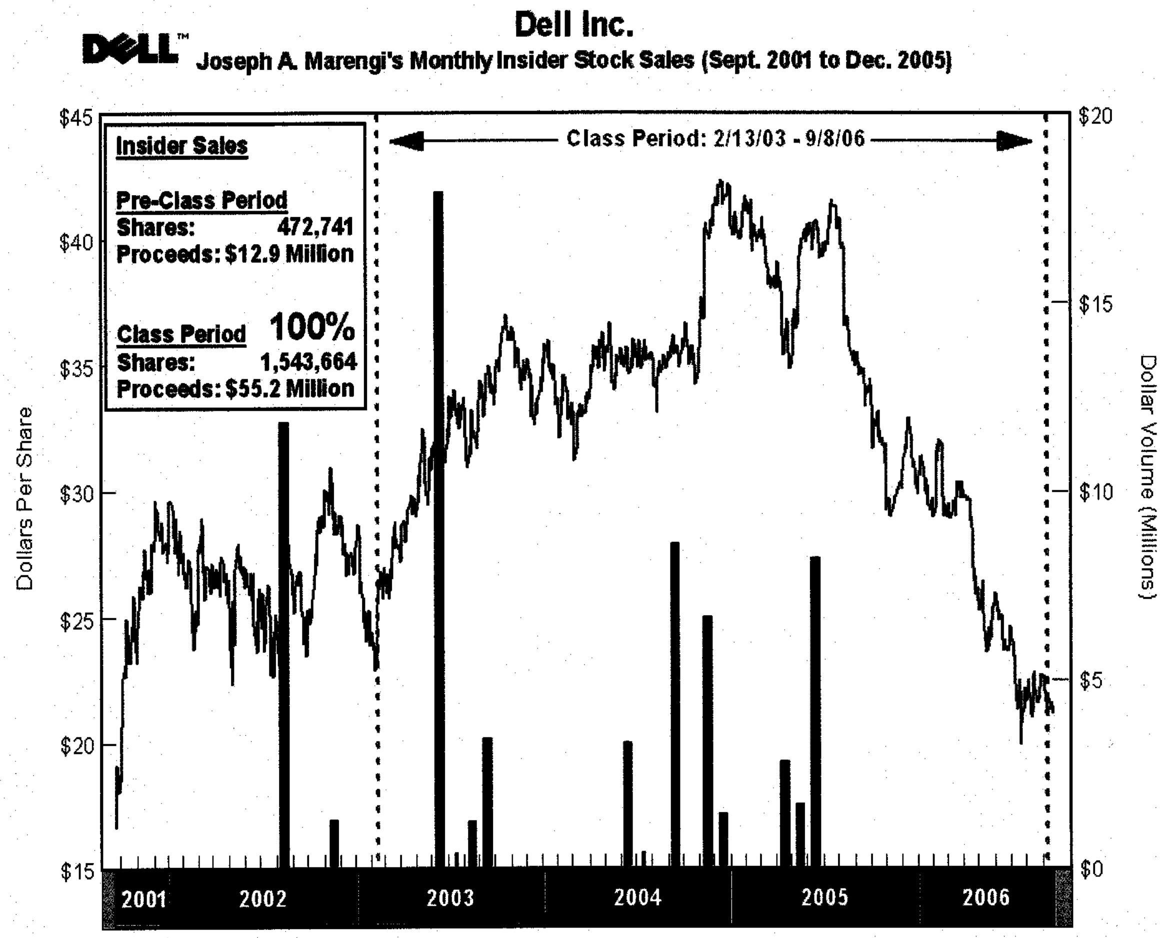
(b) Defendant Kevin B. Rollins ("Rollins") was President, COO and a director of Dell throughout the Class Period until 7/04 when he became CEO of Dell. Rollins was

thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Rollins was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of Dell's internal financial and accounting and disclosure controls. Rollins was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and Dell's F03 and F04 10-Ks and signed Dell's F05 10-K. During the Class Period, Rollins sold 2,163,000 shares of his Dell stock (99.3% of the shares he owned) for $74,192,846 in insider trading proceeds. Defendant Rollins may be served at 2500 Stratford Drive, Austin, Texas 78746. These sales were unusual in timing and amount and inconsistent with Rollins' historical Dell stock sales, as the following chart shows.



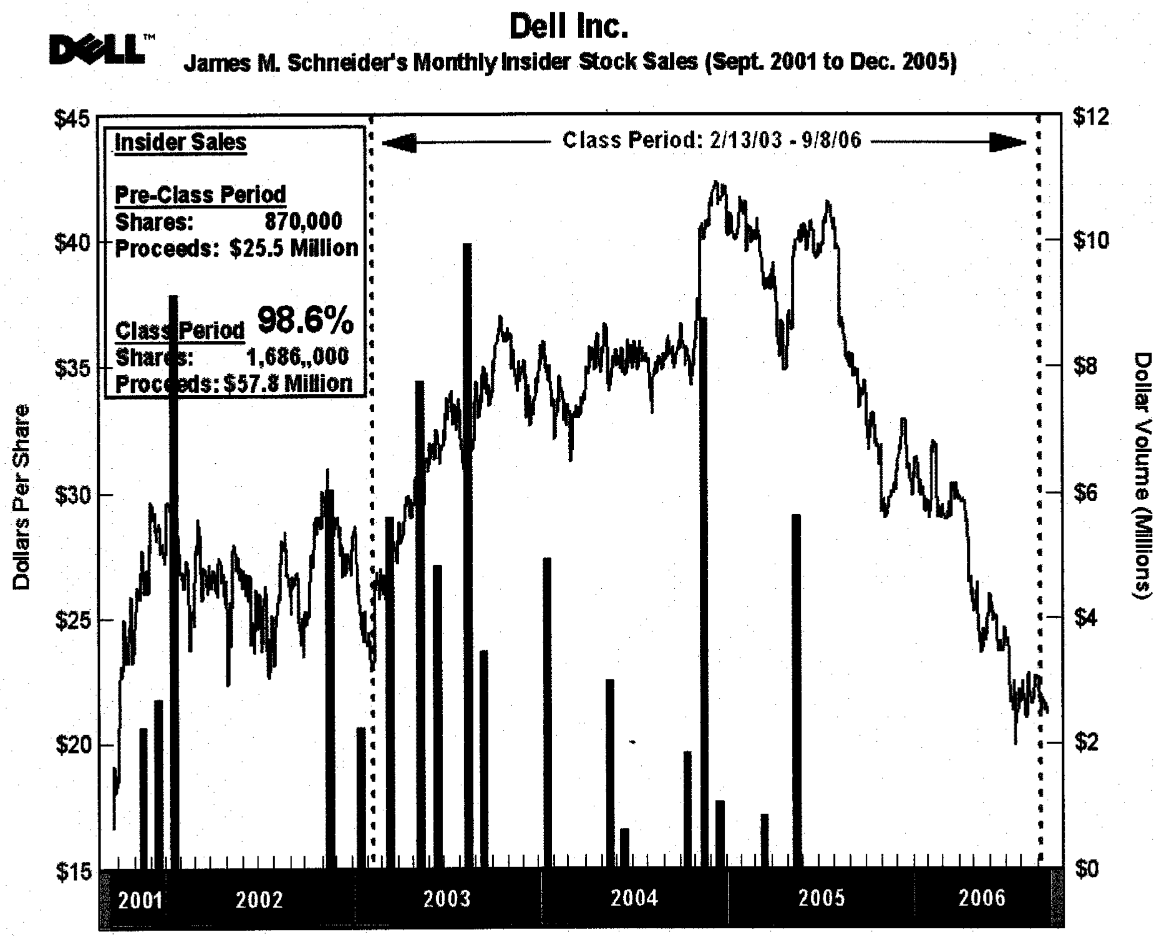
(c) Defendant Joseph A. Marengi ("Marengi") is Senior Vice President-Americas of Dell. Marengi was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Marengi was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of Dell's internal financial and accounting and disclosure controls. Marengi was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and Dell's F03, F04 and F05 10-Ks. During the Class

Period, Marengi sold 1,543,664 shares of his Dell stock (100% of the shares he owned) for $55,197,246 in insider trading proceeds. Defendant Marengi may be served at 8211 Navidad Drive, Austin, Texas 78735. These sales were unusual in timing and amount and inconsistent with Marengi's historical Dell stock sales, as the following chart shows.



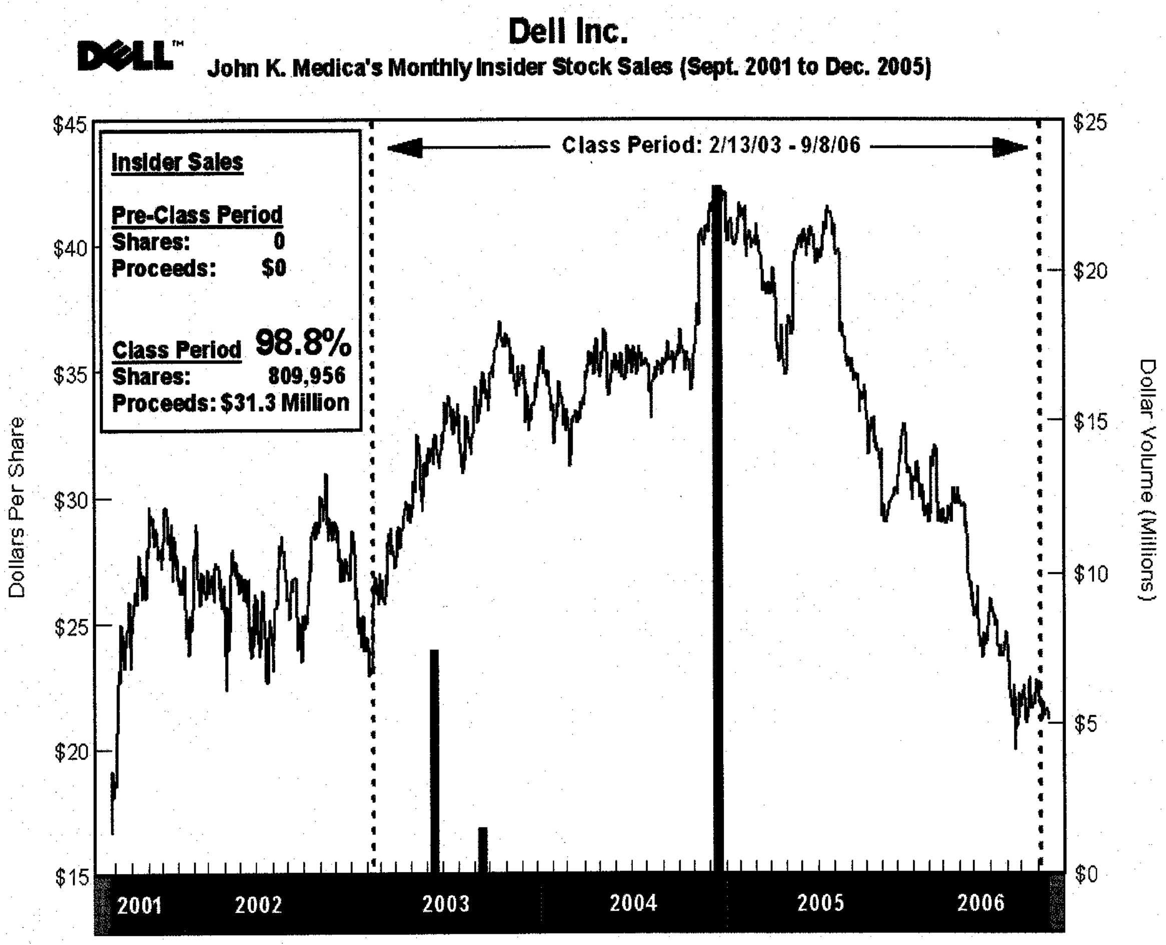
(d) Defendant James M. Schneider ("Schneider") was Senior Vice President and CFO of Dell. On 12/19/06, Schneider was replaced at Dell as CFO. Schneider was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Schneider was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of

Dell's internal financial and accounting and disclosure controls. Schneider was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and signed Dell's F03, F04 and F05 10-Ks. During the Class Period, Schneider sold 1,686,000 shares of his Dell stock (98.6% of the shares he owned) for $57,838,699 in insider trading proceeds. Defendant Schneider may be served at 21 Hedge Lane, Austin, Texas 78746. These sales were unusual in timing and amount and inconsistent with Schneider's historical Dell stock sales, as the following chart shows.



(e) Defendant John K. Medica ("Medica") is Senior Vice President-Products of Dell. Medica was thoroughly knowledgeable about all aspects of Dell's business operations

as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Medica was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of Dell's internal financial and accounting and disclosure controls. Medica was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and Dell's F03, F04 and F05 10-Ks. During the Class Period, Medica sold 809,956 shares of his Dell stock (98.8% of the shares he owned) for $31,315,764 in insider trading proceeds. Defendant Medica may be served at 901 West 9th Street, Unit 904, Austin, Texas 78701. These sales were unusual in timing and amount and inconsistent with Medica's historical Dell stock sales, as the following chart shows.



(f) Defendant Rosendo G. Parra ("Parra") is Senior Vice President-Americas of Dell. Parra was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Parra was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of Dell's internal financial and accounting and disclosure controls. Parra was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and Dell's F03, F04 and F05 10-Ks. During the Class Period,